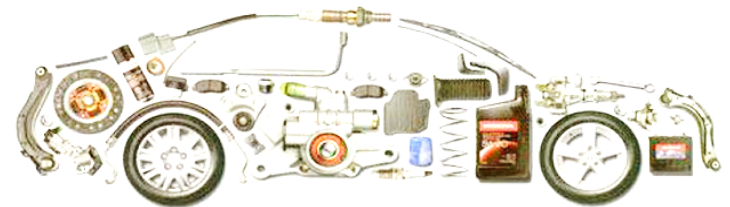


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India – Auto-component Sector

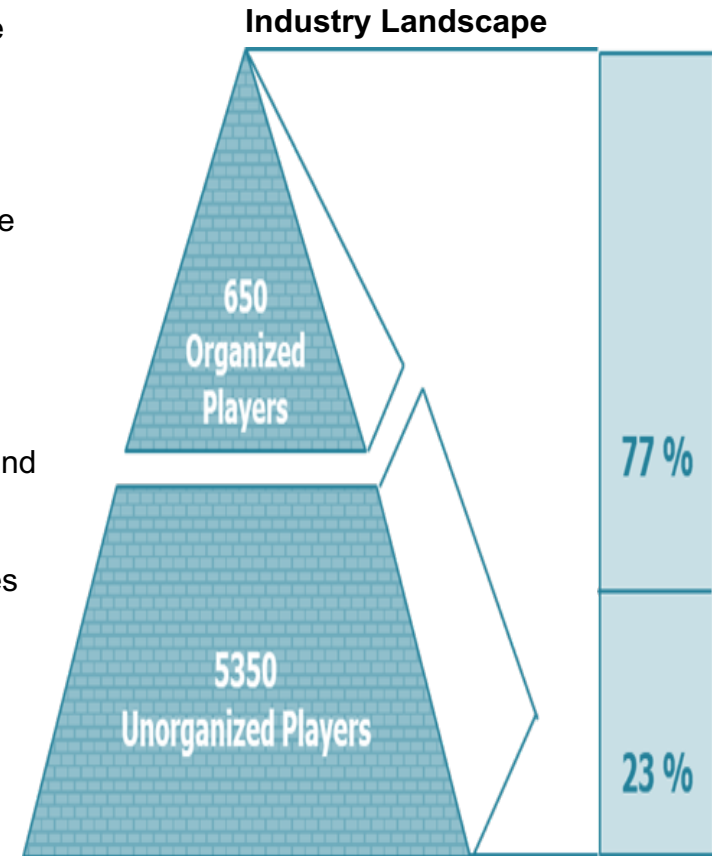
An Overview



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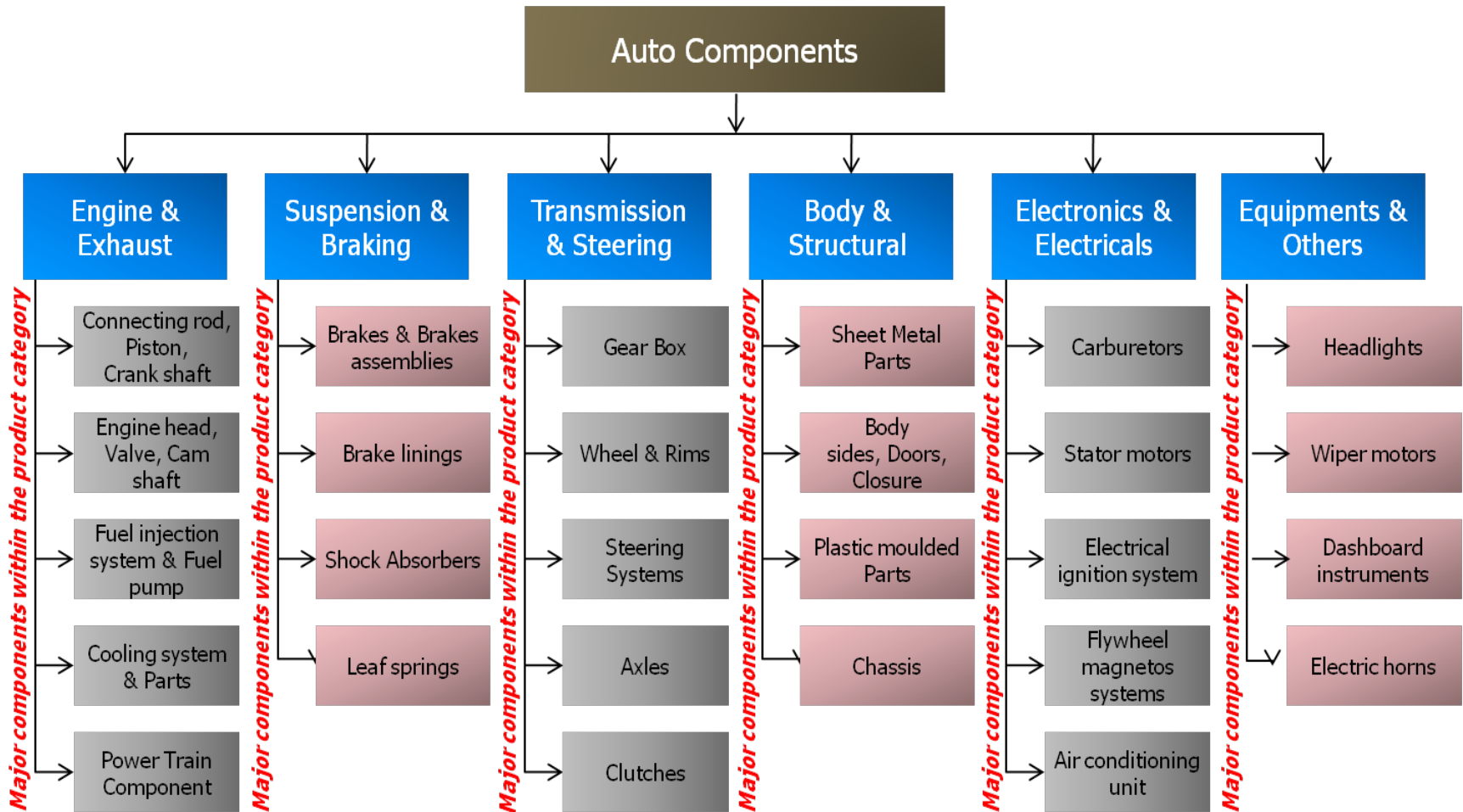
Brief Overview

- India's component industry has achieved the capability to manufacture the entire range of auto components, such as engine components, drive and transmission components, suspension and braking components, electrical components, and body and chassis components.
- The automotive component industry caters to three broad categories of the market:
 - ✓ Original equipment manufacturers (OEM) or vehicle manufacturers
 - ✓ Aftermarket Or Replacement market
 - ✓ Export market
- Indian automotive component industry can be divided into the organized and the unorganized segments.
- Among the 6,000 players present in the Indian market, only 650 constitutes the organized sector and contribute more than 77% of the country's total production of auto components.
- Organized players are Tier I and Tier II companies whereas unorganized players are mainly Tier III and Tier IV component manufacturers or replacement market player`



Key Highlights

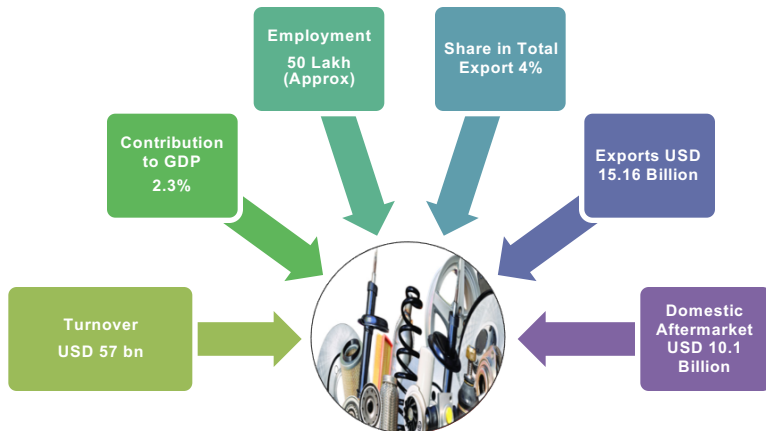
The components in the Indian Auto Component industry are classified in the following sub- segment



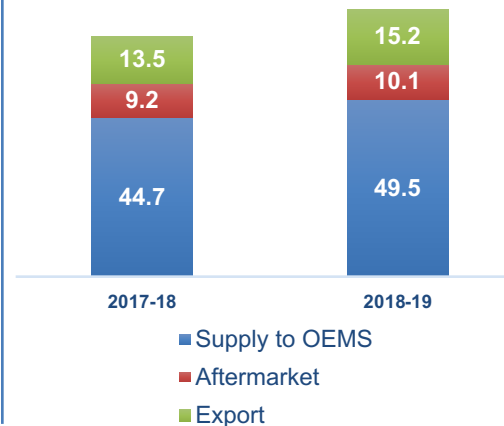
Major Players

Product Segment	Major Players in Tier I Suppliers
Transmission & Steering	Rico, Automotive Axle, RSB Transmission, Sona Koyo Steering, Rane Madras and Rane TRW, Clutch Auto, Amalgamation Repco, Cheekay Daikin, Luk Clutches, GKN drive shaft, Delphi, Bharat Gear, ZF Steering
Engine Parts	Escorts, India Pistons, Kirloskar Oil Engine, Bimetal Bearing, Goetze (India), Rane Engine Valves, Shriram Pistons & Rings, Mico, Spaco Carburettors, Ucal Fuel, Delphi, TVS Diesel System, Shriram Pistons & Ring, Menon Piston
Suspension and braking	Automotive Axles, Brakes India, Kalyani Brakes, Munjal Showa, Jamna Auto, Rane Brakes Lining, Sundaram Brakes, Bosch, Jai Parabolic, Gabriel India, Delphi, Escorts
Equipments	Lumax, Autolite, Phoenix Lamp, Minda, Pricol, Varroc, Roots, Subros, Visteon, Behr
Body & Structural	Jay Bharat Maruti, Caparo, TACO, Omax Auto, Ganage, Pressing, Automotive Stamping, Badave, Honda Motors, SM Auto, Panase, Lumax, Thai Summit Neel
Electrical Parts	Lucas TVS, Denso, Motherson Sumi, Delco Remy Electricals and Nippon Electricals, Delphi

Indian Auto Component Industry Snapshot: 2018-19 Contribution



Size of the Industry (in USD Bn)



Industry	Growth Rate (Y-o-Y)
Supply to OEMs	15.2%
Aftermarket	9.5%
Export	17.0%
Overall Industry	15%

Source: ACMA Reports

Industry Landscape

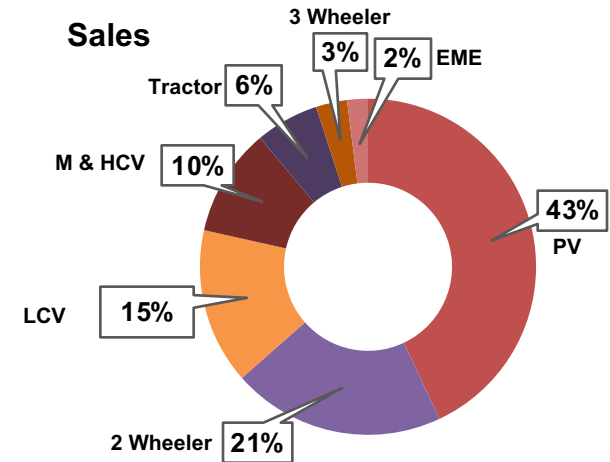
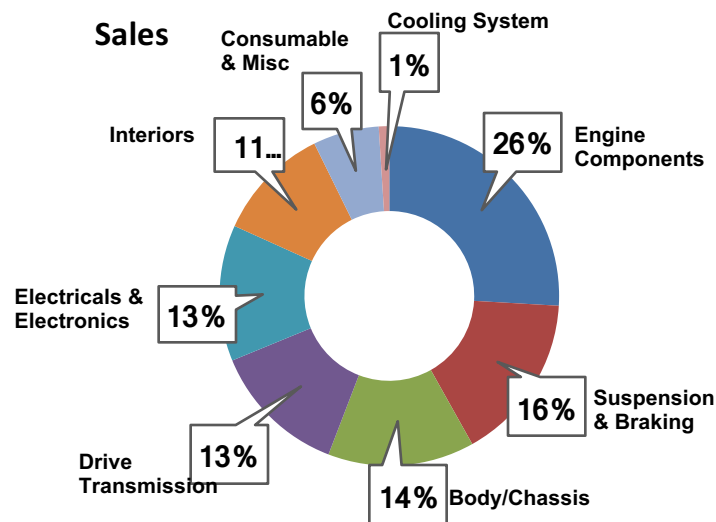
Source: ACMA Reports

Industry Turnover Trend < 5 years

CAGR < 5 years: 12-13%



Product Range and Auto Components Supply to OEMs



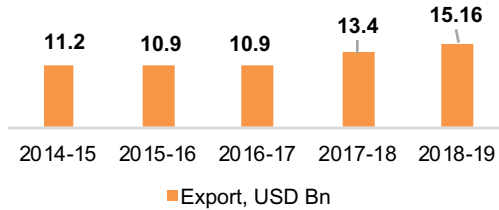
PV: Passenger Cars, Utility Vehicles, Vans, **2 Wheelers:** Scooters, Motorcycles, Mopeds, **LCV:** All Commercial Vehicles < 7.5 T
M & HCVs: All Commercial Vehicles > 7.5 T, **3 Wheelers:** Goods and Passenger 3 wheelers, **Tractors:** Tractors, **EME:** Earth Moving Equipment

The Industry is capable of producing High Quality – Low Cost Components

Key Export Trends

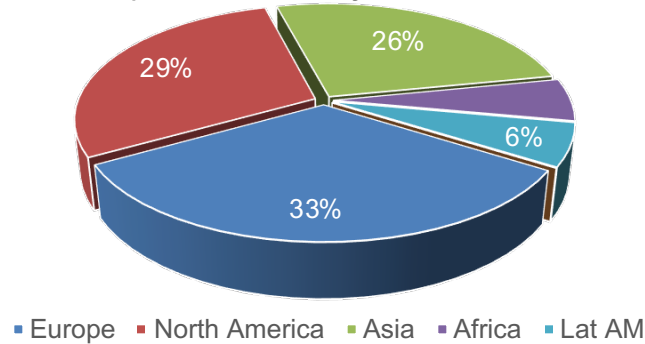
Source: ACMA Reports

Industry Export Trend < 5 years



CAGR for < 5 years: 10-11%

Export share – Major Continents

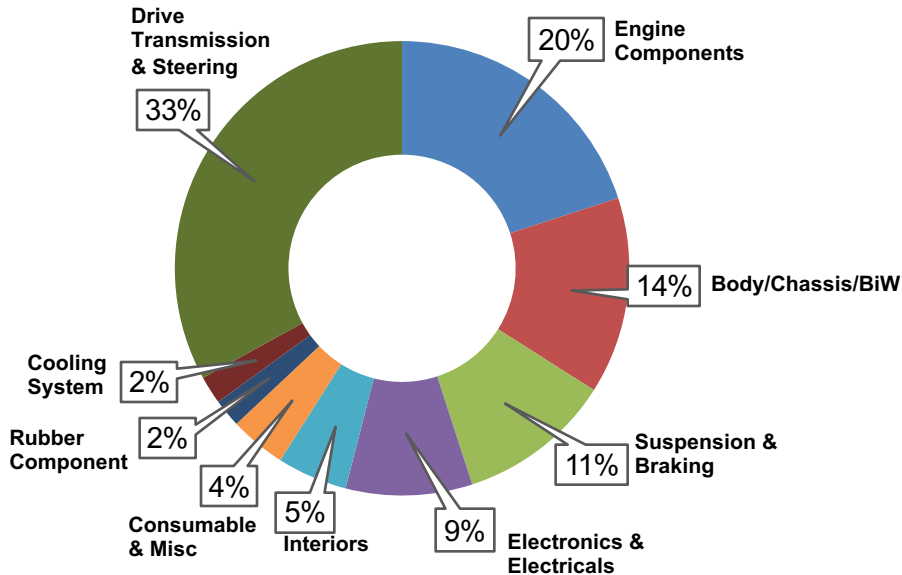


Export destinations: Top 10 Countries in % (61%)

USA	25%	Turkey	4%
Germany	7%	Brazil	3%
UK	5%	Bangladesh	3%
Thailand	4%	UAE	3%
Italy	4%	Mexico	3%

Exports: By Product Type, 2018-19

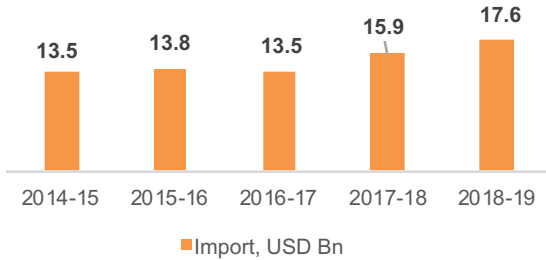
Sales



- Engine, Transmission and steering parts continue to account for more than half of all components (53%) exports from India
- Electrical & Electronics and interiors are 2 Segments that have registered above 20% y-o-y growth

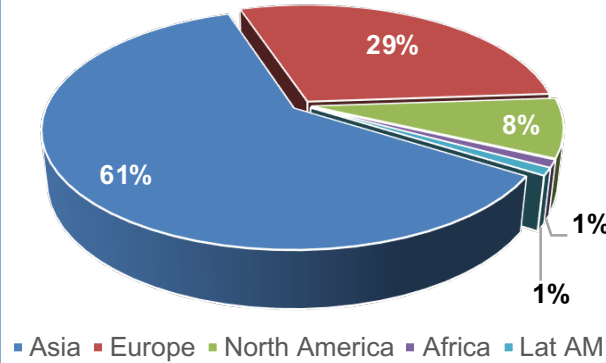
Key Import Trends

Industry Import Trend < 5 years



CAGR for < 5 years: 10-11%

Import share – Major Continents



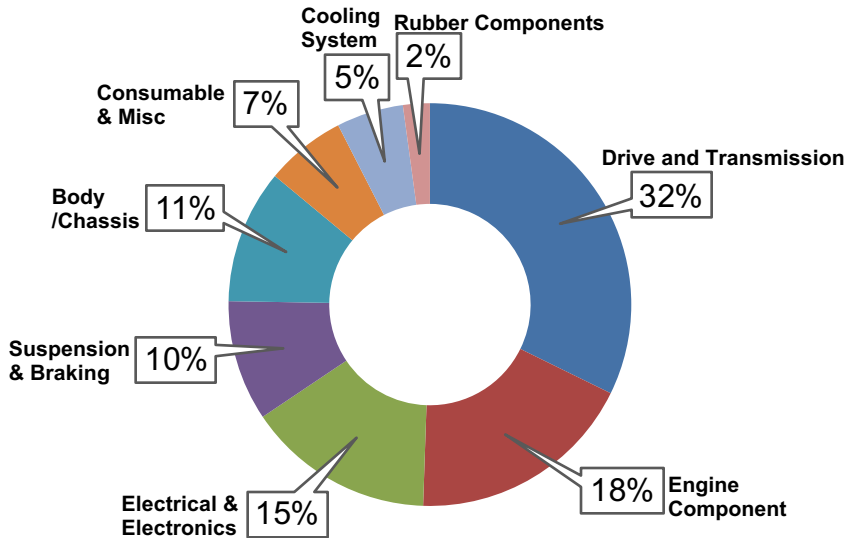
Source: ACMA Reports

Import destinations: Top 10 Countries in % (85%)

China	27%	Thailand	5%
Germany	14%	Singapore	5%
South Korea	10%	Italy	4%
Japan	9%	UK	3%
USA	7%	France	2%

Imports: By Product Type, 2018-19

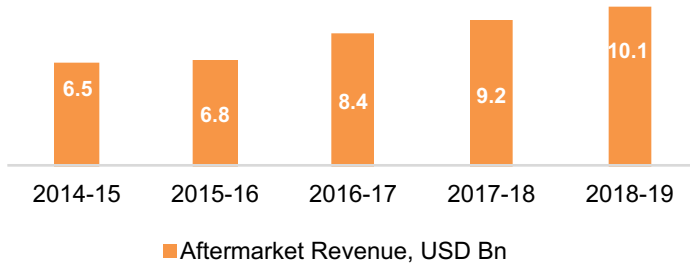
Sales



- Auto component imports from Asia continued to rise for second year in row with Asian Markets, accounting for 61% of all components imports from India
- Imports from Singapore recorded almost 8-fold increase (650%) in FY 19

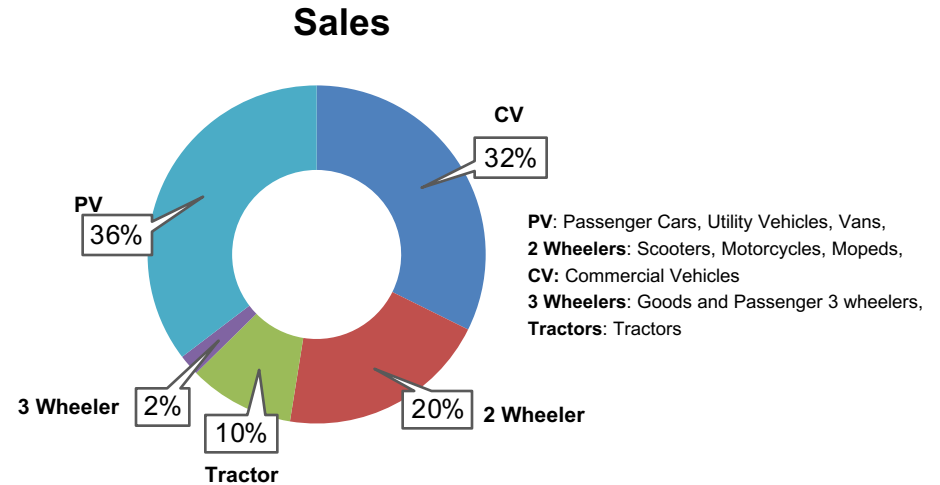
Aftermarket Industry Trend

Aftermarket Revenue Trend < 5 years

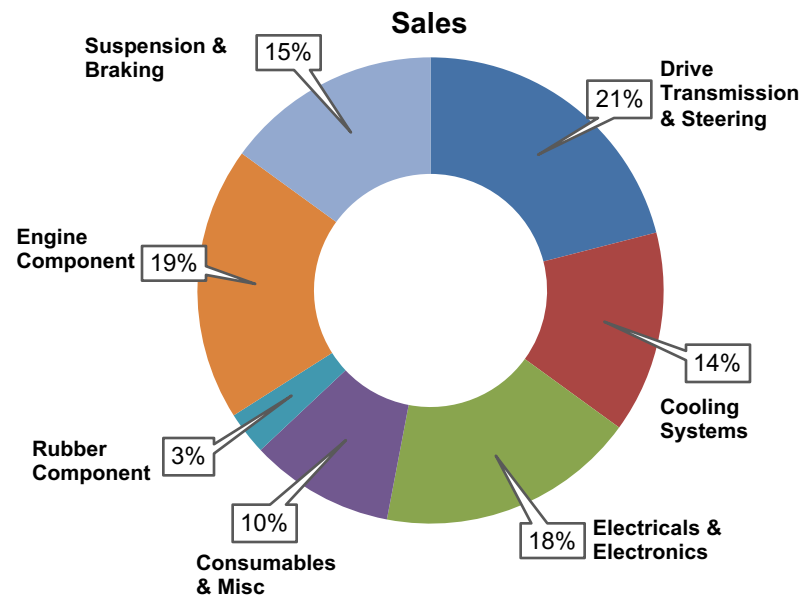


Passenger Vehicles (PV), commercial vehicles (CV) and two wheeler segment together contributes around 80% of aftermarket revenue

Aftermarket Revenue: By Segment, 2018-19



Aftermarket Revenue: By Product Type, 2018-19



Impact of EV Policy on Indian Auto component Sector

Shift towards EVs accompanied with the emergence of connected, shared and autonomous mobility at a global level is bound to change the dynamics of auto-component demand in coming years

1. Rise of electric vehicles means a weakening demand trend for engine-related components and a hot market for constituents of EV powertrain in due course
2. In the case of an ICE vehicle, multiple components of the powertrain account for significant parts of the total cost. Whereas in case of an EV, the cost composition is heavily skewed towards battery pack and assorted software
3. As the number of components in the EV powertrain is smaller, it translates to a lower need for maintenance and aftermarket sales of parts
4. Aftermarket sales (replacements and accessories) have traditionally been a big source of revenue for the auto parts industry and accounted for Rs 67,491 crore (USD 10.1 billion) in FY 2018-19 in revenue as per ACMA. EV adoption will lead to a decline in 'replacement' revenue
5. Currently, most of the EV components are imported from China that gives Indian makers a stiff cost and technological competition. As a result, a hasty EV push will end up inflating the country's import bill.
6. Govt intends to push local manufacturing of EV powertrain components by linking FAME subsidies with the level of localization of the automobile

Negative Impact	Neutral	Positive Impact
<ul style="list-style-type: none">• Engine Parts• Clutch• Radiators• Gears	<ul style="list-style-type: none">• Steering Systems• Seats• Brake Lining• Leaf Springs• Shock Absorbers	<ul style="list-style-type: none">• Electric Motors• Batteries• Inverter Harness• Wiring• Controllers• Microprocessors

Lithium-Ion Battery Manufacturing

- The battery pack is the most heavily priced component of an EV power-train and India's current capability of producing the Li-ion cells is almost nil. Multiple efforts are being made by the government agencies to initiate local production by facilitating technology transfers to industry and making international tie-ups to procure necessary raw material
- Legacy auto component manufactures like Motherson, JBM, Brakes India, Sandhar, Sona BLW, JTekt, Green Fuel, Paracoat, Rico and Mahle are already exploring opportunities in electric mobility space.
- Bharat Forge, that holds a 48% stake in Tork Motors, plans to manufacture EV components in a 50:50 JV with Germany's Refu Elektronik GmbH and has made an investment of around INR 90 crores (~USD 12 mn)
- TVS Lucas has built capability to export electric motors for two-wheelers
- Mahindra Electric Manufacturing is expected to supply four-wheeler power-trains to Ssangyong and a few other global players starting 2020

Future Scenario: COVID-19 Impact

- The supply restrictions from China caused by the spread of corona virus, which have started adversely affecting the Indian automobile industry, is likely to have a negative impact on the automotive component and forging industries in India shortly
- China accounts for 27% of India's automotive component imports and, this year, vehicle demand in the country is projected to decline by 8.3%
- The Coronavirus is expected to have an impact on the Indian automotive industry and hence also on the automobile component and forging industries, which had already reduced their production rate due to the market conditions and on account of the impending change over to BS-VI emission norms from BS-IV from the April 1, 2020
- Currently, the OEMs have reduced their production plan for February and March due to the non-receipt of components
- The problem is further aggravated by the Chinese government's suspension of shipments by sea until further notice and allowing air-only shipments that are not suitable for auto components and forging industries, therefore the Indian OEMs are unable to plan production beyond the inventory as currently available to them
- However, the guidelines/procedures to be followed for decontamination have not been notified, therefore it is not possible for the Indian importers to clear consignments that have already reached Indian shores on time

Major Players



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